

Financial Statements of

THE FREDERICTON YMCA INC.

Year ended December 31, 2015

THE FREDERICTON YMCA INC.

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INDEPENDENT AUDITORS' REPORT

To the Members of The Fredericton YMCA Inc.

We have audited the accompanying financial statements of The Fredericton YMCA Inc., which comprise the statement of financial position as at December 31, 2015, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, the entity derives revenue from donations revenue, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the entity. Therefore, we were not able to determine whether any adjustments might be necessary to donations revenue and excess (deficiency) of revenues over expenses reported in the statement of operations and cash flows and assets and net assets reported in the statement of financial position.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of The Fredericton YMCA Inc. as at December 31, 2015, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Chartered Professional Accountants
April 25, 2016
Fredericton, Canada

THE FREDERICTON YMCA INC.

Statement of Financial Position

December 31, 2015, with comparative information for December 31, 2014

	2015	2014
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,312,502	\$ 1,897,222
Accounts receivable (note 2)	162,462	116,517
Pledges receivable (note 3)	13,400	118,822
Inventories	34,917	38,043
Prepaid expenses and deposits	23,305	22,346
	<u>1,546,586</u>	<u>2,192,950</u>
Capital assets (note 4)	17,067,613	17,819,107
	<u>\$ 18,614,199</u>	<u>\$ 20,012,057</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 259,590	\$ 355,499
Deferred revenue, membership fees	334,185	334,081
Current portion of long-term debt (note 6)	245,537	206,704
	<u>839,312</u>	<u>896,284</u>
Long-term debt (note 6)	2,187,146	2,885,936
Deferred contributions (note 7):		
Expenses of future periods	160,087	168,523
Capital assets	9,545,921	9,818,124
	<u>9,706,008</u>	<u>9,986,647</u>
Net assets:		
Invested in capital assets (note 8)	5,089,009	4,908,343
Internally restricted (note 9)	180,541	149,614
Unrestricted	612,183	1,185,233
	<u>5,881,733</u>	<u>6,243,190</u>
	<u>\$ 18,614,199</u>	<u>\$ 20,012,057</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Member _____ Member

THE FREDERICTON YMCA INC.

Statement of Operations

Year ended December 31, 2015, with comparative information for 2014

	2015	2014
Revenues:		
Memberships	\$ 1,850,065	\$ 1,937,504
Programs	1,605,257	1,644,928
Grants (note 10)	679,279	789,634
Cultures	222,784	214,930
Donations	57,890	74,593
Administration fees	47,353	56,311
Other	28,540	24,723
Membership services	27,840	33,973
Facility rental	23,210	23,736
	<u>4,542,218</u>	<u>4,800,332</u>
Expenses:		
Program and membership salaries and benefits	2,032,892	2,007,055
Administrative and maintenance salaries and benefits	602,582	737,715
Administration and maintenance	451,468	377,511
Utilities	360,055	346,417
Rent	227,184	216,343
Supplies	222,733	181,559
Cultures	191,857	179,160
Interest on long-term debt	163,104	207,285
Transportation	102,714	95,223
Advertising	46,516	55,844
Telephone	33,397	29,701
Staff and Volunteer Development	28,992	29,008
Other interest and bank charges	21,900	22,470
Overseas projects	1,800	1,800
Bad debts (recovered)	(7,458)	2,455
	<u>4,479,736</u>	<u>4,489,546</u>
Excess of revenues over expenses before the undernoted items	62,482	310,786
Other revenue (expenses):		
Amortization of deferred contributions related to capital assets	397,746	409,088
Amortization of capital assets	(821,685)	(812,774)
Loss on disposal of capital asset	-	(9,272)
	<u>(423,939)</u>	<u>(412,958)</u>
Deficiency of revenues over expenses	\$ (361,457)	\$ (102,172)

See accompanying notes to financial statements.

THE FREDERICTON YMCA INC.

Statement of Changes in Net Assets

Year ended December 31, 2015, with comparative information for 2014

	Invested in capital assets (note 8)	Internally restricted (note 9)	Unrestricted	Total 2015	Total 2014
Balance, beginning of year	\$ 4,908,343	\$ 149,614	\$ 1,185,233	\$ 6,243,190	\$ 6,345,362
(Deficiency) excess of revenues over expenses	(423,939)	-	62,482	(361,457)	(102,172)
Net change in investment in capital assets	604,605	-	(604,605)	-	-
Board of Directors' transfers:					
International activities	-	30,927	(30,927)	-	-
Balance, end of year	\$ 5,089,009	\$ 180,541	\$ 612,183	\$ 5,881,733	\$ 6,243,190

See accompanying notes to financial statements.

THE FREDERICTON YMCA INC.

Statement of Cash Flows

Year ended December 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operating activities:		
Deficiency of revenues over expenses	\$ (361,457)	\$ (102,172)
Items not involving cash:		
Amortization of deferred contributions related to capital assets	(397,746)	(409,088)
Amortization of capital assets	821,685	812,774
Loss on disposal of capital assets	-	9,272
	62,482	310,786
Change in non-cash operating working capital:		
Accounts receivable	(45,945)	184,184
Inventories	3,126	(570)
Prepaid expenses and deposits	(959)	(11,656)
Accounts payable and accrued liabilities	(95,909)	37,578
Deferred membership fees	104	(15,100)
Deferred contributions related to expenses of future periods	(8,436)	6,200
	(85,537)	511,422
Financing activities:		
Repayment of long-term debt	(659,957)	(621,290)
Proceeds from deferred contributions related to capital assets	230,965	514,034
	(428,992)	(107,256)
Investing activity:		
Purchase of capital assets	(70,191)	(25,918)
(Decrease) increase in cash and cash equivalents	(584,720)	378,248
Cash and cash equivalents, beginning of year	1,897,222	1,518,974
Cash and cash equivalents, end of year	\$ 1,312,502	\$ 1,897,222
Represented by:		
Cash	\$ 861,715	\$ 1,195,311
Short-term investments	450,787	701,911
	\$ 1,312,502	\$ 1,897,222

See accompanying notes to financial statements.

THE FREDERICTON YMCA INC.

Notes to Financial Statements

Year ended December 31, 2015

The Fredericton YMCA Inc. (the "Organization") is incorporated as a corporation without share capital under the Companies Act of The Province of New Brunswick. The Organization is an independent association of volunteers and professionals whose purpose is to offer people opportunities for personal growth and service to others. The Organization is a registered charity under the Income Tax Act and, accordingly, is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

1. Significant accounting policies

These financial statements are prepared in accordance with Canadian Accounting Standards for Not-For-Profit Organizations in Part III of the CPA Canada Handbook.

(a) Revenue recognition:

The Organization follows the deferred method of accounting for contributions, which include government grants.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on the same basis and rates corresponding with the amortization of the related capital assets.

Revenue from memberships, programs, Cultures, facility rental and various fees and services are recognized when the services are provided or the goods are sold and collection is reasonably assured.

Grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of the year are accrued. Where a portion of a grant or contribution relates to a future period, it is deferred and recognized in that subsequent period.

Pledged contributions are recorded when there is sufficient certainty of collection.

(b) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and deposits or guaranteed investment certificates which are highly liquid.

THE FREDERICTON YMCA INC.

Notes to Financial Statements (continued)

Year ended December 31, 2015

1. Significant accounting policies (continued)

(c) Inventories:

Inventories consist of goods held for resale in the Cultures gift shop and the Pro Shop and are valued at lower of replacement cost and net realizable value. Net realizable value is the estimated selling price in the normal course of business less the estimated costs necessary to make the sale.

(d) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance are charged to expense. Betterments which extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the Organization's ability to provide services, its carrying amount is written down to its residual value, which is recognized as an expense in the statement of operations. Amortization is provided using the straight-line method at the following annual rates:

Asset	Rate
Building	4%
Equipment	20%

(e) Internally restricted net assets:

Internally restricted net assets include amounts restricted by the Board of Directors for future facility repair and replacement and for international activities. These internally restricted amounts are not available for other purposes without approval by the Board of Directors.

(f) Contributed services:

Volunteers contribute thousands of hours per year to assist the Organization in carrying out its service delivery activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

THE FREDERICTON YMCA INC.

Notes to Financial Statements (continued)

Year ended December 31, 2015

1. Significant accounting policies (continued)

(g) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimation and assumptions include the carrying amounts of capital assets, deferred contributions, accrued liabilities and valuation allowances for receivables. Actual results could differ from those estimates.

(h) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Organization has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the effective interest rate method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Organization determines if there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Organization expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

2. Accounts receivable

	2015	2014
Accounts receivable	\$ 107,174	\$ 135,374
Receivable from Fredericton YMCA Endowment Fund Inc.	66,688	-
Allowance for doubtful accounts	(11,400)	(18,857)
	<u>\$ 162,462</u>	<u>\$ 116,517</u>

THE FREDERICTON YMCA INC.

Notes to Financial Statements (continued)

Year ended December 31, 2015

3. Pledges receivable

The total of unconditional promises to give due in one year is \$13,400 (2014 - \$118,822) relating to the capital campaign.

Pledges receivable due more than one year from the date of the financial statements totaling \$45,017 have not been recorded.

4. Capital assets

			2015	2014
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 2,529,000	\$ -	\$ 2,529,000	\$ 2,529,000
Building	17,290,175	2,931,031	14,359,144	15,050,751
Equipment	1,097,541	918,072	179,469	239,356
	<u>\$ 20,916,716</u>	<u>\$ 3,849,103</u>	<u>\$ 17,067,613</u>	<u>\$ 17,819,107</u>

5. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$5,317 (2014 - \$24,331), which includes amounts payable for HST and payroll related taxes.

THE FREDERICTON YMCA INC.

Notes to Financial Statements (continued)

Year ended December 31, 2015

6. Long-term debt

	2015	2014
\$4,500,000 mortgage with an interest rate of 5.8%, monthly principle and interest payments of \$31,547, secured by specific property, with a renewal of May 6, 2021. The Organization is required to comply with certain financial and non-financial covenants	\$ 2,432,683	\$ 3,092,640
Less current portion of long-term debt	245,537	206,704
Balance, end of year	\$ 2,187,146	\$ 2,885,936

Principal repayments are due as follows:

2016	\$ 245,537
2017	259,985
2018	275,282
2019	291,480
2020	308,631
Thereafter	1,051,768
	\$ 2,432,683

THE FREDERICTON YMCA INC.

Notes to Financial Statements (continued)

Year ended December 31, 2015

7. Deferred contributions

(a) Expenses of future periods

Deferred contributions related to expenses of future periods represent unspent externally restricted grants and donations.

	2015	2014
Balance, beginning of year	\$ 168,523	\$ 162,323
Less amounts recognized as revenue in the year	(495,004)	(513,531)
Add amounts received related to future periods	486,568	519,731
Balance, end of year	\$ 160,087	\$ 168,523

(b) Capital assets

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of contributions and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2015	2014
Balance, beginning of year	\$ 9,818,124	\$ 10,071,932
Less amounts amortized to revenue	(397,746)	(409,088)
Contributions	125,543	155,280
Balance, end of year	\$ 9,545,921	\$ 9,818,124

THE FREDERICTON YMCA INC.

Notes to Financial Statements (continued)

Year ended December 31, 2015

8. Investment in capital assets

(a) Investment in capital assets is calculated as follows:

	2015	2014
Capital assets	\$ 17,067,613	\$ 17,819,107
Amounts financed by:		
Long-term debt	(2,432,683)	(3,092,640)
Deferred contributions	(9,545,921)	(9,818,124)
	\$ 5,089,009	\$ 4,908,343

(b) Change in net assets invested in capital assets is calculated as follows:

	2015	2014
(Deficiency) excess of revenues over expenses:		
Amortization of deferred contributions related to capital assets	\$ (397,746)	\$ (409,088)
Amortization of capital assets	821,685	812,774
Loss on disposal of capital assets	-	9,272
	\$ 423,939	\$ 412,958
Net change in investment in capital assets:		
Purchase of capital assets	\$ 70,191	\$ 25,918
Amount funded by deferred contributions	(125,543)	(155,280)
Repayment of long-term debt	659,957	621,290
	\$ 604,605	\$ 491,928

THE FREDERICTON YMCA INC.

Notes to Financial Statements (continued)

Year ended December 31, 2015

9. Internally restricted

The Board has internally restricted the following:

	2015	2014
International activities	\$ 140,541	\$ 109,614
Major repairs	40,000	40,000
	\$ 180,541	\$ 149,614

10. Grants

	2015	2014
Provincial	\$ 566,493	\$ 669,780
Other	59,589	55,426
Federal	40,028	33,891
Municipal	7,650	7,650
United Way	5,519	22,887
	\$ 679,279	\$ 789,634

11. Pension costs and obligations

The employees of the Organization participate in a multi-employer defined contribution pension plan administered by The Canadian YMCA Retirement Fund. Contributions by the Organization on behalf of the participating employees are expensed as incurred.

During the year ended December 31, 2015, \$61,071 (2014 - \$58,313) was contributed to the plan.

12. Credit facility

The Organization has a revolving demand credit facility available for \$200,000 for general business purposes at the bank's prime lending rate plus 0.25%, secured by a general security agreement. As at year end, the facility has not been drawn upon.

THE FREDERICTON YMCA INC.

Notes to Financial Statements (continued)

Year ended December 31, 2015

13. Related party transactions

The Organization has an economic interest in The Fredericton YMCA Endowment Fund Inc. (the "Fund"), an organization whose purpose is to raise and invest funds to earn income to be used to contribute to the vision of the Organization.

The Fund was incorporated on November 13, 1986 and is registered as a charitable foundation. The net assets of the Fund amount to approximately \$2,032,000 which are not included in the statements of the Organization.

Related party transactions and balances not separately disclosed in the financial statements include the following:

- i) an amount of \$75,000 (2014 - \$75,000) has been received from the Fund and recorded as deferred contributions related to capital assets;
- ii) an amount of \$20,000 (2014 - \$20,000) has been received and recorded as a Strong Kids donation;
- iii) an amount of \$7,500 (2014 - \$7,500) representing management services is recorded in administration fees; and
- iv) the Organization will receive \$66,686 from the Fund which is included in accounts receivable at December 31, 2015 (2014 - \$15,970 in accounts payables and accrued liabilities).

14. Financial risks

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in financial loss. The Organization is exposed to credit risk with respect to the accounts and pledges receivable. The Organization assesses, on a continuous basis, accounts and pledges receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts.

(b) Interest rate risk:

The Organization is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed interest instruments subject the Organization to fair value risk while floating interest instruments, when outstanding, subject it to cash flow risk.

THE FREDERICTON YMCA INC.

Notes to Financial Statements (continued)

Year ended December 31, 2015

15. Comparative information

Certain comparative information has been reclassified from those previously presented to conform to the presentation of the 2015 financial statements.